

# Committee on Ways and Means

## Granting PNTR to Vietnam Furthers Bilateral Relations and Fosters Economic and Political Reforms in Vietnam

- Granting permanent normal trade relations (PNTR) status to Vietnam represents a significant milestone in our efforts to mend the wounds of one of the most divisive conflicts in our nation's history.
- Vietnam's membership in the World Trade Organization (WTO) will serve as a catalyst for continued economic and political reform in Vietnam.
  - The State Department's 2005 Human Rights report notes that economic developments in Vietnam are a "major influence on the human rights situation," and economic reforms and the rising standard of living continue to reduce "government control over, and intrusion into, daily life" in that country.
- Vietnam will officially join the WTO later this month, and its membership will bring substantial economic benefits to American businesses, farmers, workers, and consumers. However, if PNTR is not granted before Vietnam joins the WTO, the United States would not be able to take full advantage of many of Vietnam's WTO commitments until PNTR is approved.
- As part of its WTO accession, Vietnam agreed to:
  - reduce tariffs to 15 percent or less on roughly 94 percent of U.S. exports. On key products such as construction equipment, pharmaceuticals, and aircraft, duties will be between zero and five percent.
  - reduce tariffs to 15 percent or less on three-quarters of U.S. agriculture exports to Vietnam. In 2005, U.S. agricultural exports to Vietnam exceeded \$192 million and represented nearly 17 percent of total U.S. exports to Vietnam.
  - further open many of its services sectors to U.S. providers, including in banking, insurance, telecommunications, express delivery, and distribution services. By 2007, Vietnam will permit U.S. banks, insurance providers, and distribution companies to operate 100 percent foreign-owned subsidiaries in Vietnam.
  - implement science-based sanitary and phytosanitary measures, recognize the equivalence of U.S. food safety inspection systems, and implement regulations governing shelf-life and biotechnology in a non-trade disruptive manner. Additionally, Vietnam has agreed to allow imports of all U.S. beef (boneless and bone-in) from animals under thirty months of age (except specified risk materials).
  - eliminate all prohibited subsidies to textile and apparel producers immediately upon accession. Prohibited subsidies are those contingent upon export performance or domestic-content requirements.